

The Community Connection

TOWNS/SCHOOL BUDGET PROCESS COMMITTEE/APRIL, 2012/VOL. XII, NO. 6

School District & Municipal Budgets 2012/2013

Message from the Chairs

Consistent with the decision made last year, the Budget Process Committee is no longer providing *The Connection* to every household, as was done in the past. As a cost-cutting measure, *The Connection* can be accessed online via the Town's and Regional School District's websites. For those residents who do not have access to a computer or printer, copies of *The Connection* will be available at Hamilton and Wenham Town Halls, the Regional School District office, and the Hamilton Wenham Library.

The Budget Process Committee has strived this year to present the FY2013 budgets of all three entities in a format that is consistent and easy to comprehend. We continue to have the pressure of high property tax rates, and bills, in an economy that is only beginning to recover. We understand that our communities deserve high quality services which are delivered in a cost effective manner, and have worked hard towards this end.

We hope that the information provided in *The Connection* is valuable and helps to prepare you for Town Meeting.

The Budget Process Committee will be providing additional information on the budgets on Thursday, April 26 at 6:30 p.m. at Buker School. Town Meeting for Wenham is on Saturday, May 5 and in Hamilton, on Saturday, May 12.

Sincerely,

Molly Martins, Chairman Wenham Board of Selectmen
Jennifer Scuteri, Chairman Hamilton Board of Selectmen

Town School Budget Process Committee

	Hamilton	Wenham
<i>Selectmen</i>	Jennifer Scuteri	Molly Martins
<i>Finance Committee</i>	John McWane	Catherine Harrison
<i>Town Mgr/Admin</i>	Michael Lombardo	Jeff Chelgren
<i>Finance Director</i>	Deborah Nippes-Mena	Paula Bartlett
<i>Community Members</i>	George Lamontagne	Deborah Evans
	Lisa Kane	David Reid

Regional School District Members

Larry Swartz - School Committee
Peter Gray - Interim Superintendent
Pola Andrews - Business Manager

For More Information:
Hamilton – www.hamiltonma.gov
Wenham – www.wenhamma.gov
HWRSC – www.hwschools.net

Town Meetings & Ballot Votes

WENHAM

- Saturday, May 5, 8:00 a.m.-Noon: Election of Town Officials- Buker School
1:00 p.m.: Town Meeting- Buker School

HAMILTON

- Saturday, May 12, 9:00 a.m.: Town Meeting- H-W Regional High School
- Thursday, May 24, 7:00 a.m.- 8:00 p.m.: Annual Election- Winthrop School

Regional Services Apportionment Adjustments for FY2013

Regional School District

FY2012

Wenham: 32.46%
Hamilton: 67.53%

FY2013

Wenham: 31.82%
Hamilton: 68.18%

The shift to Hamilton

- Apportionment based upon enrollment

COA Van

FY2012

Wenham: 54.99%
Hamilton: 45.01%

- based on rider ship from calendar year 2008, 2009 & 2010

FY2013

Wenham: 49.97%
Hamilton: 50.03%

- based on rider ship from calendar year 2009, 2010 & 2011

All others

(Joint Recreation, ECO, and Joint Library)

FY2012

Wenham: 36.02%
Hamilton: 63.98%

FY2013

Wenham: 32.25%
Hamilton: 64.75%

Increase to Hamilton of .77%

- Apportionment based on property valuation

For More Information

To learn more about these budgets, you can find additional resources and information at the following sources:

- Hamilton and Wenham Town Halls
- Regional School District Office on School Street in Wenham
- Hamilton-Wenham Public Library
- Offices at each school
- School district website: www.hwschools.net
- Town websites: www.hamiltonma.gov and www.wenhamma.gov
- Coverage in the Hamilton Wenham Chronicle and Salem News
- Town warrant booklets are available from both towns and online

Note: Specific information about ballot questions can be found through these sources. That information cannot be included here because of laws governing the expenditure of public funds for public service information.

Town of Wenham

Wenham Overview

The Wenham Finance and Advisory Committee herein presents for your review, consideration and action at the May 5, 2012 Town Meeting, our recommended budget for Fiscal Year 2013, which begins July 1, 2012.

The recommended Article 9 (previously Article 2) operating budget results in a tax levy requirement that is \$286,636 below the Proposition 2 ½ levy limit. Overall, the proposed Town operating budget would increase expenditures by a total of \$30,576, or 0.2%, from 2012. Salaries and wages would increase by a total of \$172,344 or 5.7% and Town expenses increased by \$189,017 or 6.4%. At the time of printing of this warrant, there is a proposed 2.0% decrease in the Town's contribution to Regional School District expenses, which is a reduction of \$147,069. The reduction reflects a shift in enrollment that has reduced Wenham's share of the total cost from 32.47% to 31.82%. It should be noted, that, at this time, the finance committee has not officially received or discussed the HWRSD final budget and therefore has not taken a position on that line item. Discussion and a position will be available by the Warrant Hearing—for the schools as well as all other financial articles.

The 5.7% increase in salaries and wages is driven by: a 2% salary increase to all non-union employees; contracted salary increases for union employees; and the staffing recovery of 3 positions that were cut in past years due to budget constraints (including Wenham's share of a library professional, a DPW worker, and a Police patrol officer).

A 30-year capital plan has been developed to help the town understand and plan for ongoing needs for capital equipment and maintenance for our vehicles, grounds and buildings. The FY13 proposal for capital is \$211,582 and contains, most notably, the lease of 4 new police cruisers to replace our aging fleet and reduce maintenance costs. The bottom-line effect of the projected revenue and above recommended expenditure requests is a decrease of 1 cent in the tax rate to a proposed FY13 rate of \$17.88. On this basis, total taxes levied would decrease by \$7456 from \$12,482,020 to \$12,474,564. There are no requests for either operating or capital overrides in this budget.

This year, we implemented a change in the budget process. In the past, the budget moved in a linear manner from Town Administrator, to Selectmen, and finally to the Finance Committee. This year, in January, the Board of Selectmen and Finance Committee met jointly (and with department heads) to discuss priorities and policies. Next, there was a set of two public input sessions. Informed by these first two steps, the finance committee has finalized the budget proposed here. We believe that this new process was more efficient and inclusive, and we intend to utilize it in future budgets cycles.

Please come to the Warrant Hearing on Monday, April 30th. This is the designated time for us to explain our recommendations and for you to ask us question, express your opinion and give us feedback.

THE PROCESS

How the Budget is Produced

- Board of Selectmen and Finance and Advisory Committee release a joint budget message and set timeline
- Departments/Boards submit budget requests
- Board of Selectmen
 - reviews budget requests
 - meets with departments/boards
 - makes recommendations to the Finance and Advisory Committee
- Finance and Advisory Committee
 - meets together with representatives of the large departments/boards to hear presentations of their budget requests
 - reviews budgets and Board of Selectmen's recommendations
 - meets jointly with the Hamilton Finance Committee to review the budget requests of the Regional School District and the joint programs
 - analyzes revenue forecasts, capital plans and other relevant information
 - makes cuts and other adjustments in order to balance the budget within the levy limit
 - makes recommendations to Town Meeting for the annual operating budget (Article 9) and other articles

FY13 Budget Challenges

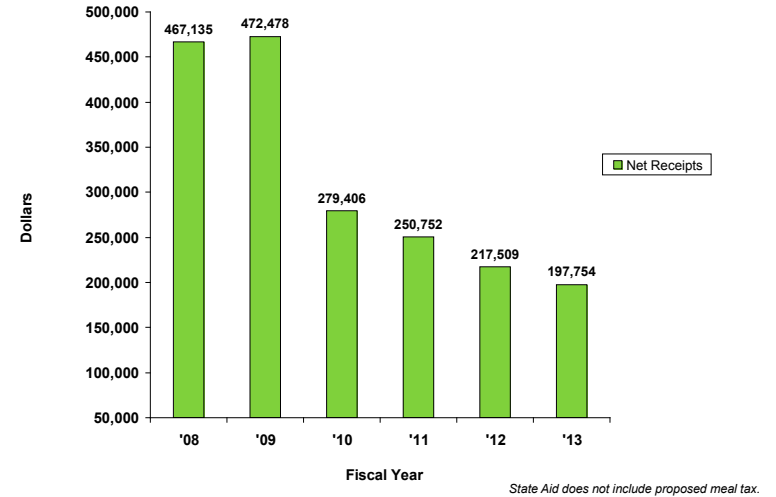
- Increase in fixed costs
(health care, retirement, other insurance)
- Reduction in State Aid and Local Receipts
(loss in motor vehicle excise, investment income & permit income)
- High Tax Rate
- Limited New Growth – Increases in value from new building
(new growth = increase in tax levy)
- Long-term deferred capital investment creating backlogs
(fleet, building maintenance and equipment)
- State requirements to fund pension liability to GASB 45 regulations

WENHAM KEY NUMBERS

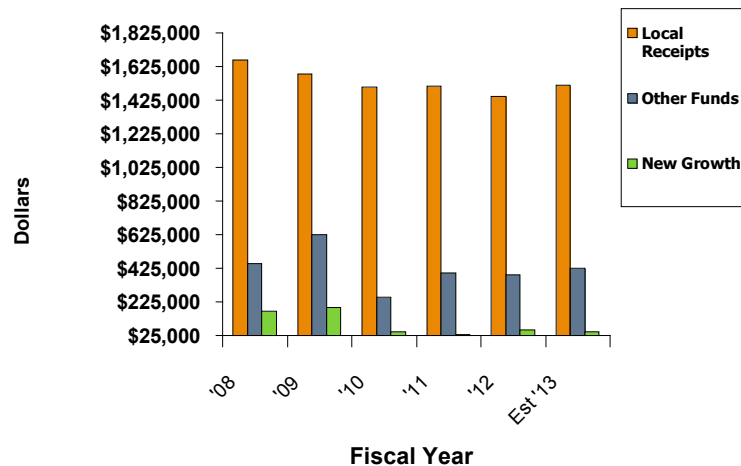
Proposed Budget

	<u>FY'12</u>	<u>FY'13</u>
TOWN & WATER SALARIES & WAGES	\$ 3,021,293	\$ 3,193,637
TOWN & WATER EXPENSES & CAPITAL	3,060,449	3,366,111
TOWN & WATER DEBT SERVICE	850,234	821,435
CHAPTER 90 ARTICLE	154,272	154,272
CPA ARTICLE	665,923	660,829
OTHER WARRANT ARTICLES (OPEB)	-	5,000
OTHER AMOUNTS TO BE RAISED	304,066	309,042
TOWN REVENUE (STATE/LOCAL/OTHER)	(3,495,409)	(3,538,323)
NET TOWN EXPENDITURES	\$ 4,560,828	\$ 4,972,003
WENHAM SHARE SCHOOL NET EXPENSE	\$ 7,333,264	\$ 7,186,195
WENHAM SHARE SCHOOL DEBT SERVICE	335,284	237,812
NORTH SHORE VOC/TECH SCHOOL	90,295	78,555
NORTH SHORE VOC/TECH SCHOOL DEBT	978	-
TOTAL TAX TO BE RAISED	\$ 12,482,020	\$ 12,474,564

Wenham State Aid (Cherry Sheet)



Wenham's Other Revenue Sources



Capital Expenditures in FY13

Department	Capital Item	Value
Info. Technology	Computer Replacement	\$ 5,000
Bldg & Grounds	Fire Station paving, T.H. Elevator Maint., Iron Rail Maint.	\$ 22,000
Police	Portable & Mobile Radios, 4 Cruiser Replacement (lease)	\$ 79,492
Fire	Protective Gear	\$ 22,000
Highway	Paving Master Plan, Mower, Alarm Upgrade	\$ 67,000
Water	Hydrant & Meter Replacement (all Water Dept items covered by water rates)	\$ 15,000
Joint Library	Computer Replacement	\$ 7,090
		\$ 211,582

WENHAM BUDGET

Comparison of Levy to Median Assessed Value & Tax Bill

Fiscal Year	Tax Levy	Median Assessed Value	Median Tax Bill
2013*	\$12,761,200	\$467,500	\$8,359
2012	12,494,103	467,500	8,112
2011	12,215,056	467,550	8,036
2010	11,995,547	503,750	7,838
2009	11,712,231	551,850	7,567
2008	10,781,613	544,200	7,031

*Proposed Tax Levy using FY12 Assessed Value

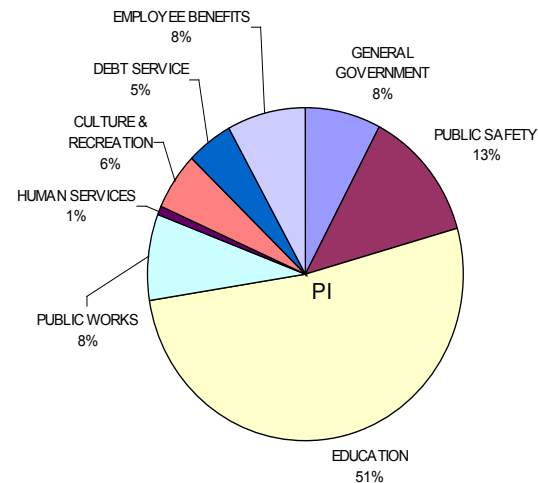
Annual Warrant Highlights

- Zoning Amendments
 - Creation of Independent Living Overlay District (ILOD)
 - Application of ILOD to 50 acre Mullen property
- Contributions to Town Other Post Employment Benefits (OPEB) Trust Fund
- FY12 Payments of Bills of a Prior Year
 - Joint Program Reconciliation
 - School Debt
- FY13 Budget Proposal
 - Ongoing HWRSD budget consideration
 - Capital Investment Plan (CIP) features funded
- CPA Appropriations

BUDGET CHANGES Year over Year



Wenham FY13 Expenses (Excluding Water Department)



GENERAL GOVERNMENT	\$1,107,114
PUBLIC SAFETY	\$1,859,684
EDUCATION	\$7,502,562
PUBLIC WORKS	\$1,199,255
HUMAN SERVICES	\$123,196
CULTURE & RECREATION	\$804,836
DEBT SERVICE	\$674,942
EMPLOYEE BENEFITS	\$1,182,904
TOTAL BUDGET:	\$14,454,493

Town of Hamilton

Hamilton Overview

The State's economy seems to be rebounding and resulted in an increase in Local Aid. Unlike Fiscal 2012 we are not expecting any additional one-time other State Aid. Local receipts have leveled when you remove one time receipts for sale of land and late PILOT payments. Other revenue sources are beginning to stabilize at current levels. The town's free cash at the end of FY 2011 was certified at \$1,350,982 with an increase forecast for the end of FY 2012. As a result, the Fin Com and BOS are recommending the application of a minimum of \$300,000 (compared to last year's \$275,000) to reduce the budget and consequent tax rate for FY 2013. The net result is a projected decrease in town revenues of about \$40,063 (1.29%).

On the expense side, the town's FY 2013 budget increased by \$241,708 (3.15%), driven principally by increases in Allowances and Abatements (\$75,000) to fund our Senior Tax Reduction program, pension expenses (\$34,000), General Insurance (13,000) and Warrant articles for replacement of DPW equipment and culvert repair (\$63,000) and sidewalk maintenance and repair (\$50,000). Some of these increases were offset by reductions elsewhere. The BOS and Fin Com are also recommending a debt exclusion bonding of \$5 M to begin replacement of water mains that have far exceeded their useful life. This will increase water rates in FY 2014.

The other major town expense is the assessment for the Hamilton-Wenham Regional Schools. The initial budget submitted and certified by the School Committee was not supported by the BOS and discussions are ongoing as to an acceptable level. The Fin Com and BOS recommended a level services budget given the uncertainty of the schools' staffing levels and expenses as reflected by the HWRSD Operational Audit and FY 2011 Financial Audit. Over \$2,000,000 is available for funding the FY 2013 budget and discussions are ongoing as to how that money should be allocated. At present, an increase in assessment of \$133,077 is budgeted, due solely to increased enrollment of Hamilton students.

The overall result is a net increase in the levy limit real estate tax of \$378,688 (1.08%). However, our debt exclusion tax will decrease by \$55,684 (4.37%) so that the net increase to the real estate tax is \$261,059 (1.17%). For current town property valuations, this results in a tax rate of \$17.52, an increase of \$0.20 over FY 2012. However, the town's property valuations will decrease due to reclassification of Myopia land and the loss of the Patton property, resulting in a tax rate increase of \$0.05 to \$17.57. This represents a real estate tax increase of \$98 to \$6,863 for a median house valuation of \$390,600. Note that a further decrease in the town's property valuations for FY 2013 may yield an increase in the tax rate, but this will represent no increase in a property's tax bill.

THE PROCESS

How the Budget is Produced

- Town Manager working with the Selectmen and Finance Committee release a joint budget message and set timelines
- Departments/Boards submit budget requests and warrant article proposals
- Town Manager reviews budgets, meets with departments & boards and delivers proposed budget to the Finance Committee
- H-W Fin Coms meet jointly on the joint program budgets; Library, Emergency Center, Recreation, Elder Van & HWRSD
- Finance Advisory Committee delivers a budget recommendation to the Board of Selectmen for their approval
- Recommended budget is submitted to Town Meeting

FY13 Budget Challenges

- Increasing Fixed Charges
(Health Benefits, Property and Casualty Ins., Retirement)
- Leveling of State Aid and local receipts providing a basis for long term predictability
- Decrease in new construction affecting tax base and levy capacity
- Maintain community service level with minimal increase in Property Taxes
- Funding of Capital Improvement Plan
- Unfunded State Mandates
(DEP-Ipswich River Regulations, EPA storm water rules, Prevailing Wage Law, Ch. 40-B affordable housing, Closed Landfill rules)

HAMILTON KEY NUMBERS

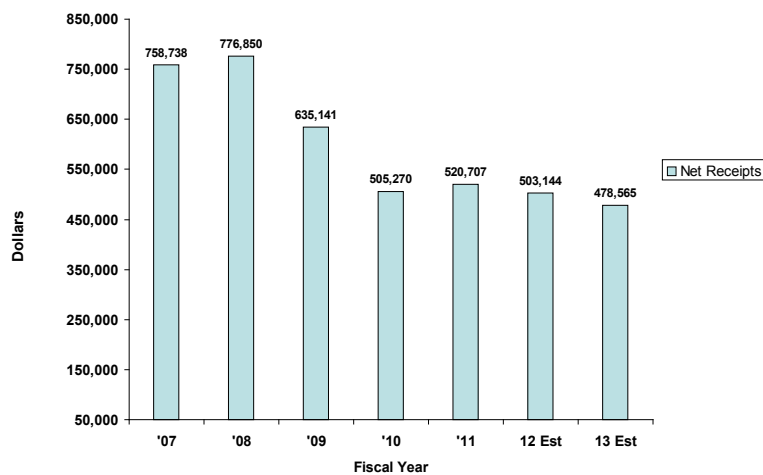
Proposed Budget to Budget

	<u>FY'12</u>	<u>FY'13</u>
TOWN SALARIES AND WAGES	\$ 3,582,630	\$ 3,679,626
TOWN CAPITAL AND OPERATING EXP	\$ 4,730,112	\$ 4,617,554
TOWN DEBT	\$ 941,636	\$ 908,958
TOWN ARTICLES	\$ 189,760	\$ 158,000
<u>TOWN REVENUE: (STATE/LOCAL)</u>	<u>\$ (2,945,530)</u>	<u>\$ (2,782,428)</u>
NET TOWN EXPENDITURES	\$ 6,498,608	\$ 6,581,710
HAMILTON SHARE SCHOOL NET EXPENSE	\$15,307,333	\$15,437,356
HAMILTON SHARE SCHOOL DEBT SERVICE	556,671	471,355
NORTH SHORE VOC/TECH SCHOOL	179,262	144,600
TOTAL TAX TO BE RAISED	\$22,541,874	\$22,635,021

Capital Expenditures FY13

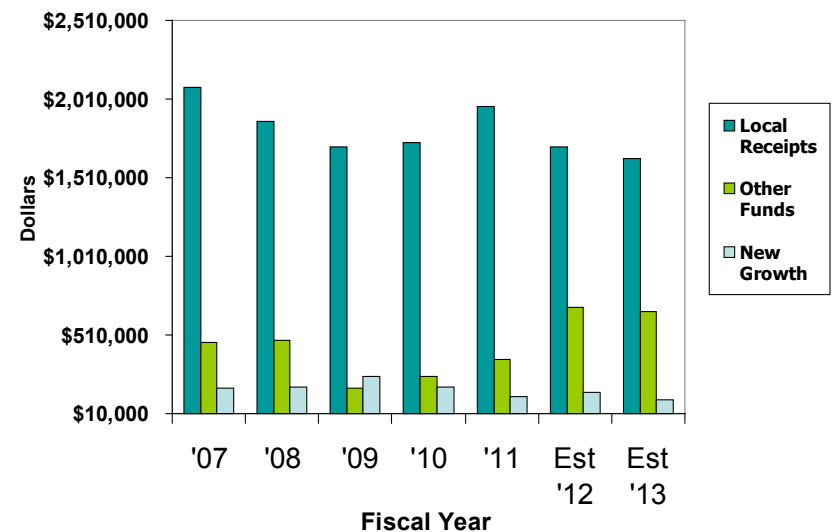
<u>Department</u>	<u>Item</u>	<u>Value</u>
Police	Cruiser -purchase	\$33,000
Highway	Dump Truck -finance	\$90,000
Highway	Howard St Culvert -finance	\$85,000
Facility Mgmt.	Injection Pump -purchase	\$20,000
DPW	Sidewalk Program- purchase	\$50,000
Water	Dump & Utility Truck- Retained Earnings	\$135,000
Water	Distribution System- finance	\$5,000,000

Hamilton State Aid (Cherry Sheet)



State Aid does not include proposed meal tax

Hamilton's Other Revenue Sources



HAMILTON BUDGET

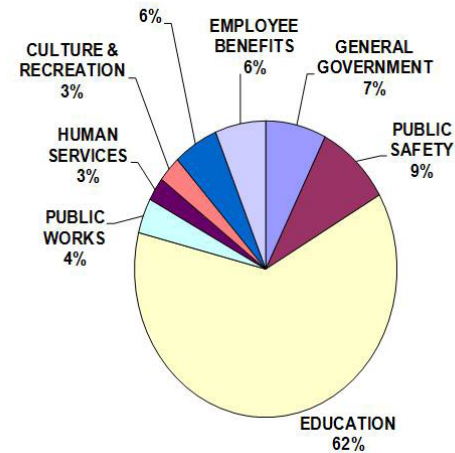
Annual Warrant Highlights

- Financial Actions
 - Town and School budgets \$24,864,846
 - North Shore Technical High School \$144,600
 - Water Enterprise \$1,022,324
 - Waste Reduction Enterprise \$445,029
 - Community Preservation Budget \$417,000
 - Debt Borrowing for Water Distribution \$5,000,000
 - Other Town Articles \$158,000
 - Downtown Improvements

Warrant Highlights

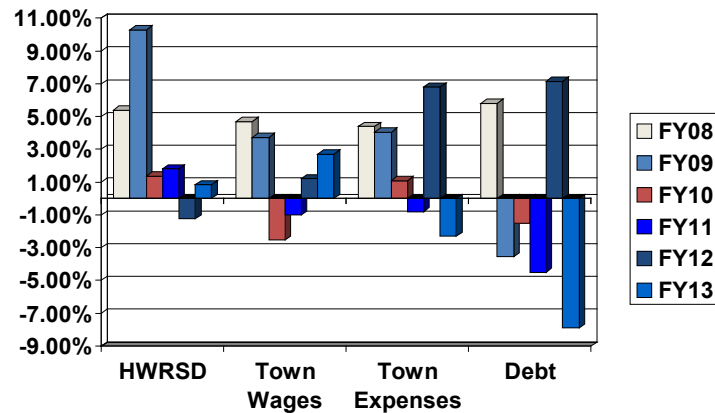
- Planning/Zoning Actions
 - Updates to the Flood Plain District
- Town By-Law Amendments
 - NO actions for this meeting
- Other Actions
 - Gift acceptance of Patton Homestead
 - Citizen's Petition for Sidewalk Survey
 - Easements for Hamilton Trail and Gregory Island Rd

Hamilton FY13 Expenses



GENERAL GOVERNMENT	\$1,867,620
PUBLIC SAFETY	\$2,299,641
EDUCATION	\$15,581,956
PUBLIC WORKS	\$960,849
HUMAN SERVICES	\$642,638
CULTURE & RECREATION	\$715,635
DEBT SERVICE	\$1,380,313
EMPLOYEE BENEFITS	\$1,560,994
TOTAL BUDGET:	\$25,009,446

BUDGET CHANGES Year over Year



Comparison of Levy to Median Assessed Value & Tax Bill

Fiscal Year	Tax Levy	Assessed Value	Property Tax Bill
2013*	\$ 22,635,021	390,600	6,863
2012	22,373,962	390,600	6,765
2011	22,909,942	395,500	6,799
2010	22,447,259	403,300	6,565
2009	21,889,263	427,700	6,514
2008	19,907,450	450,800	6,036

*Projections uses the FY12 adjusted Assessed Value

FY 13 Budget Highlights

**Total operating budget of \$28,311,717 =
4.33% spending increase vs. FY 12 Budget**

- 0.88% increase removing one time capital improvements
- Level services budget with the following exceptions:
 - Contractual obligations
 - Non-discretionary increases (e.g. utilities, etc.)
- Adds on-going obligations of \$50,000 to address I.T. and literacy issues
- Reduces user fees by 20% and adds an additional \$10,000 to athletic scholarships through use of Excess and Deficiency funds

FY13 Budget Highlights

- Staffing reductions will occur in Special Education
 - 3 teaching assistants and 3 teachers
- Study Committee has been formed at the High School to explore scheduling options and recommend any curriculum and scheduling efficiencies
- District has reconciled and reviewed all revolving accounts and included surplus funds as part of this budget
- Revenues have stabilized at the state and local level

SCHOOL DISTRICT BUDGET

HWRSD FY13 Budget - Revenues

Revenues			
	FY12 Budget	FY13 Budget	% increase vs. prior budget
State Aid: Chapter 70	\$3,166,115	\$3,253,000	2.74%
State Aid: Transportation	\$275,000	\$251,000	-8.73%
SPED Tuition	\$30,200	\$30,200	0.00%
Circuit Breaker	\$58,000	\$250,000	331.03%
Interest Income/Other	\$79,000	\$4,000	-94.94%
Medicaid	\$36,000	\$85,000	136.11%
Excess & Deficiency Funds	\$500,000	\$1,301,119	160.22%
Revolving Funds	\$125,000	\$522,197	317.76%
Federal Stimulus Funds (ARRA)	\$248,484	\$0	-100.00%
Facility Rental	\$4,000	\$2,000	-50.00%
Total Revenues before Assessments	\$4,521,799	\$5,698,516	26.02%
Hamilton Assessment (FY13 - 68.18%)	\$15,278,396	\$15,425,180	
Hamilton Debt Offset	\$12,945	\$12,176	
Total Hamilton Assessment	\$15,291,341	\$15,437,356	0.95%
Wenham Assessment (FY13 - 31.82%)	\$7,346,209	\$7,199,021	
Wenham Debt Offset	(\$12,945)	(\$12,176)	
Total Wenham Assessment	\$7,333,264	\$7,186,845	-2.00%
Total Town Assessments	\$22,624,605	\$22,624,201	-0.002%
Total General Fund Revenue	\$27,146,404	\$28,322,717	4.33%

HWRSD FY13 Budget Summary

	FY12 Staffing Level	FY12 Budget	FY13 Staffing Level	FY13 Budget	% increase vs. prior Budget
SALARIES - STAFF					
Central Office	13.50	\$1,017,900	14.00	\$1,078,750	5.98%
Special Education - Administration	14.55	\$695,008	14.55	\$731,166	5.20%
Principals/Assistant Principals	6.60	\$626,793	6.60	\$706,312	12.69%
School Secretaries	9.60	\$366,642	9.60	\$383,812	4.68%
Classroom Teachers	116.18	\$8,001,842	116.18	\$8,282,381	3.51%
Special Education Teachers	36.10	\$2,531,901	33.10	\$2,260,157	-10.73%
Math Specialist (Elementary)	1.00	\$74,588	1.00	\$81,592	9.39%
Custodians	13.00	\$546,504	13.00	\$570,205	4.34%
Nurses	5.13	\$285,755	5.13	\$287,358	0.56%
Adjustment Counselors	4.20	\$325,155	4.20	\$335,684	3.24%
Behavioral Specialists	2.00	\$88,820	2.00	\$90,647	2.06%
Library/Media Specialists	4.70	\$241,633	4.80	\$264,735	9.56%
Music Teachers (Elementary)	2.20	\$117,276	2.20	\$129,498	10.42%
Physical Education Teachers	4.80	\$293,164	4.80	\$315,259	7.54%
Art Teachers (Elementary)	1.60	\$136,099	1.60	\$138,656	1.88%
Technology Teacher	1.00	\$75,126	1.00	\$77,793	3.55%
Athletics	1.00	\$93,110	1.00	\$94,981	2.01%
Psychologists	3.50	\$285,105	3.50	\$291,641	2.29%
Speech Specialists	3.10	\$194,639	3.10	\$202,496	4.04%
Teaching Assistants - Classroom	6.30	\$140,383	6.30	\$144,463	2.91%
Teaching Assistants - Special Education	50.55	\$1,145,707	47.55	\$1,065,311	-7.02%
Teaching Assistants - Technology	4.00	\$98,939	4.00	\$131,452	32.86%
Reading Specialists	6.30	\$436,771	6.80	\$457,386	4.72%
Guidance/Student Support	6.80	\$444,140	6.80	\$472,282	6.34%
Subtotal - SALARIES	317.71	\$18,263,000	312.81	\$18,594,014	1.81%

HWRSD FY13 BUDGET SUMMARY

	FY12 Budget	FY13 Budget	% increase vs. prior budget
OPERATING EXPENSES			
Instructional Expense	\$672,000	\$654,000	
SPED Contracted Services	\$364,000	\$344,000	
SPED Transportation	\$276,000	\$276,000	
SPED Out of District Tuition	\$1,322,000	\$1,322,000	
Maintenance	\$534,000	\$534,000	
Utilities	\$466,000	\$466,000	
Health Insurance	\$2,801,404	\$2,917,000	
Insurance/Pensions/Taxes	\$1,324,000	\$1,272,000	
Legal	\$76,000	\$40,432	
School Committee	\$42,000	\$35,093	
Transportation - Regular Education	\$694,000	\$707,000	
Technology	\$324,000	\$384,000	
Central Office	\$456,000	\$285,000	
Staff Professional Development	\$32,000	\$176,000	
Capital Projects	\$0	\$936,178	
Other Expenses	\$0	\$100,000	
Subtotal - OPERATIONS	\$9,383,404	\$10,448,703	11.35%
TOTAL	\$27,646,404	\$29,042,717	5.05%
*(Less funded outside of General Fund)	(\$500,000)	(\$720,000)	
General Fund Operating Spending	\$27,146,404	\$28,322,717	4.33%

* School Choice (\$500,000) and All Day Kindergarten/Pre-School (\$220,000 - FY13)

** Budget figures are subject to change prior to Annual Town Meetings*

Municipal Finance Terminology

As both Towns and the Regional School District prepare for presentation of their FY13 budgets, it is a good opportunity to provide to the public information that will help to better understand how budgets are composed. This article is, therefore, designed to provide an outline of the terms commonly used during the discussion of town and school budgets. The terms and their definitions are as follows:

LEVEL SERVICE BUDGET

Level Service Budget is the estimated cost to deliver the same services from one year to the next. It includes all contractual increases and projected economic factors that affect these services. It is a useful planning tool in understanding the economic factors which affect the budget process.

CHERRY SHEET

This is the shorthand name for the local aid which towns and municipalities receive from the State. The aid is offset by any State or County charges which are assessed to communities. (An example would be assessments for membership in the Northeast Mosquito Control District.) The amount of Cherry Sheet funds are identified as part of the budgeting process and are distributed quarterly.

OVERLAY (ALLOWANCE FOR ABATEMENTS AND EXEMPTIONS)

This is a reserve account to fund anticipated property tax abatements and exemptions and uncollected taxes. The amount of the reserve is set by the Board of Assessors.

STABILIZATION FUNDS-TOWNS

The purpose of this fund is to accumulate funds for capital and other future spending purposes. While there is no specified amount required to be in the stabilization fund, an amount of 3-5%

is considered to be optimal. Amounts from the stabilization fund can be appropriated by a 2/3 vote of Town Meeting for any lawful municipal purpose.

STABILIZATION FUND-REGIONAL SCHOOLS

A regional school district has the option of establishing a stabilization fund which is governed by MGL c. 71, §16G ½. A regional school district stabilization fund is governed differently from a town stabilization fund.

The school committee, boards of selectmen and/or town meetings approve funds to be expended from the stabilization fund. The stabilization fund is not certified by Department of Revenue. The District Treasurer is the custodian of the fund. The law restricts the use of the fund to "... any purpose for which a regional school district may borrow money". MGL c. 71, §16(d) provides the definition for the types of appropriations permitted from the stabilization fund which include: acquiring land, school construction and reconstruction, extraordinary repairs to school building(s), construction of sewerage systems, sewerage treatment and disposal systems, purchasing equipment, construction, reconstruction and improvements to outdoor playground, athletic or recreational facilities, constructing, reconstructing, or resurfacing roadways and parking lots.

By law, each year the school committee may not authorize an amount for deposit into the stabilization fund that exceeds 5% of the operating budget appropriated by the member towns in the preceding year.

By law, the aggregate amount in the stabilization fund can not exceed 5% of the combined equalized valuations of the member towns.

RESERVE FUND

This is an amount set aside annually within a town budget to pay for "extraordinary and unforeseen expenditures". The amount in the reserve fund may not exceed 5% of the prior year's tax levy. The fund is within the exclusive control of a town's Finance and Advisory Committee, although transfers are made in consultation with the Board of Selectmen. An example of such an extraordinary expenditure would be for unanticipated fuel increases.

FREE CASH

Free cash is a town's unrestricted available funds that may be used to fund any appropriation. Free cash results when either when revenue collections exceed budgeted estimates or actual expenditures are less than budgeted appropriations.

PROPOSITION 2 ½

Proposition 2 ½ is a State law enacted in 1980 which limits the amount which a community can raise through real and personal property taxes. There are two primary limitations, the Levy Limit and the Levy Ceiling. A town has a Levy Limit which is the total amount which it is authorized to levy in real and personal property taxes as part of the permanent levy. This amount can be increased no more than 2 ½% + New Growth + an Override from one year to the next. There is a further limitation that a town may not levy in taxes more than 2 ½% of the total value of its real and personal property. This is the Levy Ceiling.

(Continued on next page)

Municipal Finance Terminology (continued)

NEW GROWTH

New Growth consists primarily of increases to the tax base as a result of new construction or additions to personal property. It also includes exempt property which has returned to the tax rolls. It does not include any increase in property valuation due to revaluation.

OPERATIONAL OVERRIDE

An override is an increase in the Levy Limit in excess of 2 ½% + New Growth as described above. An Override requires a majority ballot vote for a specific dollar amount for a specific purpose. If passed, the amount of the Override becomes a permanent part of the Levy Limit, subject only to the Levy Ceiling.

DEBT EXCLUSION/CAPITAL OUTLAY EXPENDITURE EXCLUSION

These are votes, similar to an Override vote, to increase the Levy Limit either for the purpose of paying debt service for the length of the debt or for incurring capital costs during the year the project is undertaken. Unlike an Override, these increases do not become a permanent part of the Levy Limit. A Debt Exclusion is subject to the Levy Ceiling while a Capital Outlay Expenditure Exclusion is not. Like an Override, both require a majority ballot vote for a specific amount for a specific purpose.

ENTERPRISE FUND

An Enterprise Fund is an account for financing specific services where it is intended that the costs of providing the service will be recovered through user charges. An example is the Water Enterprise Fund.

LOCAL RECEIPTS

Local Receipts are locally generated revenues other than real and personal property taxes and enterprise fund revenues. Examples include motor vehicle excise taxes, investment income, fines, fees, rentals and other charges for services.

CHAPTER 70

Chapter 70 funds account for the second largest source of revenue for the school district after local property taxes. Ch 70 aid has declined significantly over the past several years, from 19% of the gross budget in FY01 to 13% of the FY 09 gross budget.

CIRCUIT BREAKER

The "Circuit Breaker" law is designed to partially reimburse school district for high cost special education students. The law reimburses a portion of instructional and tuition costs for In District and Out of District students if the cost exceeds approximately \$32,000.

SCHOOL CHOICE

Under the school choice law, parents may send their children (selected through lottery) to schools other than those in their hometown. The state mandates the home school district transfer what amounts to a per pupil tuition of \$5,000 of its state aid to the district accepting the student. The home district must pay additional money for special education students.

EXCESS & DEFICIENCY FUND BALANCE

This fund (also known as the "E & D" or the "reserve fund balance") is the school's equivalent of the town's "free cash" (see above). The "E & D" fund must be certified annually by the Department of Revenue (DOR) prior to the school committee making expenditures. Once certified by DOR, the school committee can approve expenditures for "unanticipated expenses", i.e., special education, major maintenance and capital projects, shortfalls in state aid, regional transportation, etc. The school committee approves funds to be expended from the "E & D" by a vote of two-thirds. By law, the "E&D" can not exceed 5% of operating budget. Auditors recommend that a minimum of 3% of the operating budget should be in the "E & D" at all times. For more information regarding town and school budgets, when budget presentation meetings are scheduled to occur, and eventually the budgets themselves, the public is encouraged to visit the town and school websites.